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**DAVID RAINES COMMUNITY
HEALTH CENTER, INC.**

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2007

(With Summarized Financial Information for 2006)

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 4/16/08



**BANKS, FINLEY,
WHITE & CO.**
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
David Raines Community Health Center, Inc.
Shreveport, Louisiana

We have audited the accompanying statements of financial position of David Raines Community Health Center, Inc. (a nonprofit organization) as of June 30, 2007, and the related statement of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's 2006 financial statements and, in our report dated August 31, 2006, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of David Raines Community Health Center, Inc., as of June 30, 2007, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2007, on our consideration of the David Raines Community Health Center, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of David Raines Community Health Center, Inc., taken as a whole. The schedule on page 16 is presented for purposes of additional analysis and is not a required part of the financial statements of the Organization. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Banks, Finley White & Co.
September 28, 2007

DAVID RAINES COMMUNITY HEALTH CENTER, INC.
Statement of Financial Position
June 30, 2007
(With Summarized Financial Information for 2006)

<u>ASSETS</u>	<u>2007</u>	<u>2006</u>
Current Assets:		
Cash and cash equivalents	\$ 104,405	\$ 255,794
Certificates of deposit	309,525	-
Patient care receivables, less allowance of \$357,196 for doubtful accounts	128,834	334,166
Grants receivable	108,502	14,186
Accounts receivable - other	-	8,504
Inventory - pharmacy	38,571	32,862
Prepaid expenses	-	1,530
Total Current Assets	<u>689,837</u>	<u>647,042</u>
Fixed Assets:		
Land	12,500	-
Building and improvements	916,453	878,274
Furniture and equipment	1,211,766	1,146,324
Vehicles	242,549	176,226
	<u>2,383,268</u>	<u>2,200,824</u>
Less: Accumulated depreciation	<u>(1,199,772)</u>	<u>(1,052,928)</u>
Net Fixed Assets	<u>1,183,496</u>	<u>1,147,896</u>
TOTAL ASSETS	<u>\$ 1,873,333</u>	<u>\$ 1,794,938</u>

The accompanying notes are an integral part of these financial statements.

DAVID RAINES COMMUNITY HEALTH CENTER, INC.
Statement of Financial Position
June 30, 2007
(With Summarized Financial Information for 2006)

<u>LIABILITIES AND NET ASSETS</u>	<u>2007</u>	<u>2006</u>
Current Liabilities:		
Accounts payable	\$ 27,254	\$ 5,356
Payroll taxes payable	9,745	10,169
Other payroll deductions payable	10,070	5,875
Salaries payable	89,581	92,882
Accrued annual leave	70,318	78,133
Other current liabilities	1,118	1,748
Current portion of long term debt	<u>26,053</u>	<u>22,930</u>
Total Current Liabilities	<u>234,139</u>	<u>217,073</u>
Long-Term Liabilities		
Notes payable, net of current portion	268,101	288,595
Capital lease payable, net of current portion	<u>24,516</u>	<u>25,213</u>
Total Long-Term Liabilities	<u>292,617</u>	<u>313,808</u>
Total Liabilities	<u>526,756</u>	<u>530,881</u>
Net Assets:		
Unrestricted		
Undesignated (Operating)	119,123	88,844
Section 329/330(d) reserve	409,014	409,014
Fixed assets	<u>818,440</u>	<u>766,199</u>
Total Net Assets	<u>1,346,577</u>	<u>1,264,057</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,873,333</u>	<u>\$ 1,794,938</u>

The accompanying notes are an integral part of these financial statements.

EXHIBIT II

DAVID RAINES COMMUNITY HEALTH CENTER, INC.
Statement of Activities
For the Year Ended June 30, 2007
(With Summarized Financial Information for 2006)

	Operations	Fixed Assets	2007	2006
SUPPORT AND REVENUES (Note 2)				
Support:				
Grants and contracts	\$ 1,818,340	-	\$ 1,818,340	\$ 1,459,151
Total Support	<u>1,818,340</u>	<u>-</u>	<u>1,818,340</u>	<u>1,459,151</u>
Revenue:				
Health care services, net of charity, bad debts and contractual adjustments of \$1,538,521	2,213,762	-	2,213,762	2,033,288
Contributions	250,000	-	250,000	-
Interest income	16,018	-	16,018	2,606
Gain on disposal of fixed assets	-	-	-	3,798
Other income	9,039	-	9,039	17,130
In-kind revenues	<u>107,177</u>	<u>-</u>	<u>107,177</u>	<u>107,177</u>
Total Revenue	<u>2,595,996</u>	<u>-</u>	<u>2,595,996</u>	<u>2,183,999</u>
TOTAL SUPPORT AND REVENUES	<u>4,214,336</u>	<u>-</u>	<u>4,214,336</u>	<u>3,623,150</u>
EXPENSES				
Program Services				
Health care services	2,114,688	-	2,114,688	1,801,507
Community services	<u>45,417</u>	<u>-</u>	<u>45,417</u>	<u>50,117</u>
Total Program Services	<u>2,160,105</u>	<u>-</u>	<u>2,160,105</u>	<u>1,851,624</u>
Supporting Services				
Management and general	<u>1,835,544</u>	<u>146,843</u>	<u>1,982,387</u>	<u>1,891,840</u>
Total Supporting Services	<u>1,835,544</u>	<u>146,843</u>	<u>1,982,387</u>	<u>1,891,840</u>
TOTAL EXPENSES	<u>3,995,649</u>	<u>146,843</u>	<u>4,142,492</u>	<u>3,743,464</u>
Change in net Assets	<u>218,687</u>	<u>(146,843)</u>	<u>71,844</u>	<u>(120,314)</u>
Net Assets, Beginning of Year	497,858	766,199	1,264,057	1,360,103
Prior period adjustment (Note 15)	<u>10,676</u>	<u>-</u>	<u>10,676</u>	<u>24,268</u>
Net Assets, as restated	<u>508,534</u>	<u>766,199</u>	<u>1,274,733</u>	<u>1,384,371</u>
Other changes in net assets				
Principal payments on long-term debt	(22,973)	22,973	-	-
Acquisition of fixed assets	<u>(176,111)</u>	<u>176,111</u>	<u>-</u>	<u>-</u>
	<u>(199,084)</u>	<u>199,084</u>	<u>-</u>	<u>-</u>
NET ASSETS, END OF YEAR	<u>\$ 528,137</u>	<u>818,440</u>	<u>\$ 1,346,577</u>	<u>\$ 1,264,057</u>

The accompanying notes are an integral part of these financial statements.

DAVID RAINES COMMUNITY HEALTH CENTER, INC.
Statement of Cash Flows
For the Year Ended June 30, 2007
(With Summarized Financial Information for 2006)

CASH FLOWS USED FOR OPERATING ACTIVITIES:

	2007	2006
Changes in Net Assets	\$ 71,844	\$ (120,314)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation expense	146,843	189,219
Prior period adjustment	10,676	24,268
Disposal of fixed assets	-	(24,389)
Decrease (Increase) in:		
Patient care receivables	205,332	(199,634)
Inventory	(5,709)	1,211
Other receivable	8,504	21,533
Grants receivable	(94,318)	26,118
Prepaid expenses	1,530	1,513
Increase (decrease) in:		
Accounts payable	21,898	(30,696)
Payroll taxes payable	(424)	1,660
Other payroll deductions payable	4,195	4,630
Other liabilities	(638)	1,749
Accrued annual leave	(7,815)	16,084
Accrued salary payable	(3,281)	41,305
NET CASH PROVIDED BY(USED IN) OPERATING ACTIVITIES	<u>358,639</u>	<u>(45,743)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of investments	(300,000)	-
Interest earned on investments	(9,516)	-
Acquisition of fixed assets	<u>(182,444)</u>	<u>(441,291)</u>
NET CASH PROVIDED BY(USED IN) INVESTING ACTIVITIES	<u>(491,960)</u>	<u>(441,291)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Principal payment on capital lease	1,299	(9,163)
Proceeds from borrowings	-	348,037
Principal payment on notes payable	<u>(19,367)</u>	<u>(8,152)</u>
NET CASH PROVIDED BY(USED IN) FINANCING ACTIVITIES	<u>(18,068)</u>	<u>330,722</u>

NET INCREASE (DECREASE) IN CASH

	(151,389)	(156,312)
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CASH, BEGINNING OF YEAR

	<u>255,794</u>	<u>412,106</u>
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CASH, END OF YEAR

	<u>\$ 104,405</u>	<u>\$ 255,794</u>
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Supplemental Disclosure of Cash Flow Information:

Cash paid during the year for:

Interest expense	<u>\$ 16,950</u>	<u>\$ 16,793</u>
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Non-cash investing and financing activities:

Purchase of copier through capital lease	<u>\$ 6,331</u>	<u>\$ 33,318</u>
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The accompanying notes are an integral part of these financial statements.

EXHIBIT IV

DAVID RAINES COMMUNITY HEALTH CENTER, INC.
Schedule of Functional Expenses
For the Year Ended June 30, 2007

	PROGRAM SERVICES			SUPPORTING SERVICES	
	Health Care Services	Community Services	Total Program Services	Management and General	Total Expenses
Personnel	\$1,489,820	17,176	1,516,996	894,944	\$ 2,411,940
Fringe benefits	175,018	4,472	179,490	138,337	317,827
Travel	32,991	1,611	34,602	65,005	99,607
Supplies	268,955	3,517	272,472	84,478	356,950
Equipment rental	-	-	-	23,594	23,594
Contractual	110,379	17,273	127,652	241,365	369,017
Legal	-	-	-	1,781	1,781
Dues and subscriptions	3,177	-	3,177	9,423	12,600
Utilities	-	1,200	1,200	43,416	44,616
Repairs and maintenance	12,897	-	12,897	32,697	45,594
Insurance	-	-	-	21,296	21,296
Staff recruitment	955	-	955	3,253	4,208
Advertisement	1,667	-	1,667	53,809	55,476
Security	-	-	-	1,393	1,393
Training and development	3,729	-	3,729	7,646	11,375
Telephone	503	103	606	86,870	87,476
Postage	22	-	22	11,992	12,014
Printing	1,622	-	1,622	5,437	7,059
Space cost	-	-	-	4,463	4,463
Interest	-	-	-	16,950	16,950
Bank charges	-	-	-	7,388	7,388
Food and beverage	100	65	165	14,810	14,975
Board expenses	-	-	-	49,948	49,948
Fundraising	-	-	-	1,325	1,325
Property and other taxes	-	-	-	10	10
Other	2,853	-	2,853	13,914	16,767
Total expenses before depreciation	2,114,688	45,417	2,160,105	1,835,544	3,995,649
Depreciation	-	-	-	146,843	146,843
Total Expenses	<u>\$2,114,688</u>	<u>45,417</u>	<u>2,160,105</u>	<u>1,982,387</u>	<u>\$ 4,142,492</u>

The accompanying notes are an integral part of these financial statements.

DAVID RAINES COMMUNITY HEALTH CENTER, INC.
Notes to the Financial Statements
June 30, 2007

NOTE 1 - ABOUT THE ORGANIZATION

David Raines Community Health Center, Inc. (DRCHC), a non-profit corporation was incorporated in the State of Louisiana on May 19, 1992. DRCHC was incorporated for the purpose of delivering comprehensive primary health care services to all individuals and families in the surrounding contiguous areas.

The fiscal year of DRCHC is July 1 through June 30.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. Basis of Accounting - The financial statements of David Raines Community Health Center, Inc., are presented on the accrual basis of accounting.
- B. Basis of Presentation - Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, the organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.
- C. Cash and Cash Equivalents - For purposes of the statement of cash flows, cash equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less that are not restricted for specific purposes.
- D. Donated Property and Equipment - Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.
- E. Donated Services - Donated services are recognized as contributions in accordance with SFAS No. 116, Accounting for Contributions Received and Contributions Made, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Center.
- F. Expense Allocation - The cost of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

DAVID RAINES COMMUNITY HEALTH CENTER, INC.
Notes to the Financial Statements
June 30, 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- G. Fund Accounting - The accounts of the Organization are maintained in accordance with the principles of fund accounting. Under fund accounting, resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purpose. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined into fund groups.
- H. Property and Equipment - Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using primarily the straight-line method. Assets acquired with a unit cost of \$500 is capitalized and depreciated over their estimated useful lives.
- I. Restricted and Unrestricted Revenue and Support - Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. Federal grant awards are classified as refundable advances until expended for the purposes of the grants since they are conditional promises to give.
- J. Employees' Annual Leave - DRCHC charges annual leave earned by employees which has not been used by them at the end of a period to the period that the leave is earned.
- K. Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.
- L. Patient Service Fees - Revenue for services rendered to patients are recorded at standard rates established by the Organization. The difference between standard rates and the amounts collected from third-party payors and patients qualifying as Poverty Patients is charged as an adjustment to gross revenues.
- M. Reclassifications - Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

NOTE 3 - FINANCIAL INSTRUMENTS

The following methods and assumptions were used by the Center in estimating its fair value disclosures for financial instruments:

Cash and cash equivalents: the carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of those instruments.

DAVID RAINES COMMUNITY HEALTH CENTER, INC.
Notes to the Financial Statements
June 30, 2007

NOTE 3 - FINANCIAL INSTRUMENTS (Continued)

The estimated fair values of the Center's financial instruments, none of which are held for trading purposes, are as follows:

	<u>Carrying Amount</u>	<u>Fair Value</u>
Financial assets:		
Cash and cash equivalents	\$ 104,405	\$ 104,405
Certificates of deposit	309,525	309,525
Financial liabilities:		
Capital lease payable	\$ 31,470	\$ 31,470
Notes payable	287,200	287,200

**NOTE 4 - CONCENTRATIONS OF CREDIT RISK ARISING FROM DEPOSITS IN EXCESS
OF INSURED LIMITS**

The Center maintains its cash balances in three (3) financial institutions located in Shreveport, Louisiana. The balances are insured by the Federal Deposit Insurance Corporation up to \$100,000. At June 30, 2007, the Center's uninsured cash balances total \$110,575.

NOTE 5 - PATIENT RECEIVABLES

The amount of net patient care receivable at June 30, 2007 was \$128,834. Management feels that the actual collectability of the accounts receivable from patients will be realized in the amount as shown in the statement of financial position.

NOTE 6 - FIXED ASSETS

The following is a summary schedule of fixed assets and related accumulated depreciation carried in the general property fund.

<u>Assets</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Land	\$ 12,500	-	\$ 12,500
Buildings and Improvements	916,453	172,995	743,458
Furniture and Equipment	1,211,766	956,281	255,485
Vehicles	242,549	70,496	172,053
Total	<u>\$2,383,268</u>	<u>1,199,772</u>	<u>\$1,183,496</u>

NOTE 7 - CORPORATE INCOME TAXES

The corporation is exempt from corporate Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and from Louisiana income taxes. Therefore, no provision has been made for Federal or Louisiana corporate income taxes in the accompanying financial statements.

DAVID RAINES COMMUNITY HEALTH CENTER, INC.
Notes to the Financial Statements
June 30, 2007

NOTE 8 - RETIREMENT PLAN

The Center has a Section 403(b) retirement annuity plan on all eligible employees. Currently, the Center contributes to the plan three percent (3%) of gross wages. Each employee is allowed to contribute up to six percent (6%) of gross wages. The retirement expense for the fiscal year is \$13,072.

NOTE 9 - COMMITMENT AND CONTINGENCIES

Annual Leave

The cost of employee's unused annual leave at June 30, 2007 in the amount of \$70,318 is included in the financial statements. See Note 2.J. above.

NOTE 10 - SUMMARY OF FUNDING AND SUPPORT

David Raines Community Health Center's operations are funded through restricted grants from the U. S. Department of Health and Human Services. Other grants and contracts are received from state and local government agencies. The grants and contracts for the current period are shown below.

<u>Source</u>	<u>Grant Number</u>	<u>Period</u>	<u>Amount</u>
U.S. Department of Health and Human Services	5H80CS00720-05-00	7/1/06 - 6/30/07	\$ 1,400,471
Louisiana State Department of Health and Hospitals (WIC)	611037	10/1/04-9/30/07	72,869
Operation USA Grant	N/A	7/1/06-6/30/07	50,000
State of LA - Rural Health Grant	N/A	10/1/06-6/30/07	75,000
State of LA - Minority Health Grant	N/A	7/1/06-6/30/07	<u>20,000</u>
TOTAL			<u>\$ 1,618,340</u>

NOTE 11 - LONG-TERM NOTES PAYABLE

Notes payable consist of the following at June 30, 2007:

6.11% note dated November 23, 2005, payable in monthly payments of \$2,439 which includes principal and interest only; matures, December 1, 2020, collateralized by real estate \$ 265,331

8.65% note dated November 8, 2005, payable in monthly payments of \$587 which includes principal and interest only; matures December 1, 2010, collateralized by vehicle 21,869

TOTAL **\$ 287,200**

DAVID RAINES COMMUNITY HEALTH CENTER, INC.
Notes to the Financial Statements
June 30, 2007

NOTE 11 - LONG-TERM NOTES PAYABLE (Continued)

Maturities of long-term debt are as follows:

2008	\$ 19,099
2009	20,333
2010	21,646
2011	19,370
2012	17,013
Thereafter	<u>189,739</u>
Totals	<u>\$ 287,200</u>

NOTE 12 - CAPITAL LEASE PAYABLE

The Center leases certain equipment under agreements classified as capital leases. The capital lease obligations are collateralized by the equipment.

Future minimum lease payments under capital leases as of June 30, 2007 are as follows:

Various leases payable in monthly installments of \$1,143 which includes principal and interest. Maturity dates through June 2011.

Year Ending June 30

2008	\$ 13,716
2009	13,716
2010	13,716
2011	<u>5,571</u>

Total future lease payments	46,719
Less: amount representing interest	<u>(15,249)</u>

Present value of minimum lease payments

TOTAL OBLIGATIONS UNDER CAPITAL LEASES \$ 31,470

NOTE 13 - IN-KIND DONATIONS

The Louisiana State University School of Medicine provides the Center with donated staff time and other items. Staff time is valued at the actual salary rate of each individual. Detailed records are maintained by the school and made available to the Center for evaluation. A summary of the categories for donated items is provided below:

Salaries and Wages	\$ 88,492
Fringe Benefits	<u>18,686</u>
Total	<u>\$ 107,178</u>

DAVID RAINES COMMUNITY HEALTH CENTER, INC.
Notes to the Financial Statements
June 30, 2007

NOTE 14 - LITIGATION

David Raines Community Health Center, Inc. maintains general liability, property, fidelity, managed care professional liability, directors and officers and other insurance coverage in amounts the Company believes to be adequate. The Company requires contracting health care providers to maintain malpractice insurance coverage in amounts customary in the industry.

In the ordinary course of its business, David Raines Community Health Center, Inc. is a party to claims and legal actions by enrollees, providers and others. After consulting with legal counsel, the Company is of the opinion that any liability that may ultimately be incurred as a result of these claims, legal actions, audits or investigations will not have a material adverse effect on the financial position or results of operations of David Raines Community Health Center, Inc.

NOTE 15 - PRIOR PERIOD ADJUSTMENT

Net assets at the beginning of 2007 have been adjusted for the write-off of prior year accounts payable. The reclassification has no effect on the results of the current year's activities; however, the cumulative effect increases net assets by \$10,676.

NOTE 16 - ADVERTISING

David Raines Community Health Center, Inc. uses advertising to promote its programs among the communities it serves. The production costs of advertising are expensed as incurred. During the year ending June 30, 2007, advertising cost totaled \$57,561.

NOTE 17 - CONCENTRATION OF CONTRIBUTIONS OR GRANTS

Approximately 34% of the Organization's funding is provided by direct grants from the U. S. Department of Health and Human Services.

NOTE 18 - GRANT BALANCES AND GRANT CONDITIONS

The Organization has responsibility for expending grant funds in accordance with specified instructions from its funding sources. Any deficits resulting from over expenditures and/or questioned costs are the responsibility of the Organization.

Any unexpended grant funds at the end of the grant period may be refundable or carried over to the following period at the discretion of the funding sources. Notwithstanding the audits by independent certified public accountants, all costs included in this report remain subject to audit by the agencies providing financial support within the limits of the Single Audit Act of 1996, as amended. The determination as to whether costs will be allowable or unallowable under the grants will be made by representatives of the funding sources having authority to make and enforce contracts.

NOTE 19 - COMPARATIVE FINANCIAL STATEMENT INFORMATION

The financial statements include certain prior-year summarized information in total but not by net asset class. Prior-year information is not provided for the notes to the financial statements. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2006, from which the summarized information was derived.

DAVID RAINES COMMUNITY HEALTH CENTER, INC.
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2007

Federal Grant/ Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Grant Number	Federal Expenditures
<u>U.S. Department of Health and Human Services</u>			
Health Resource & Service Administration			
Direct Program:			
Bureau of Primary Health Care Health Centers Cluster	93.224	5H80CS00720-05-00	\$ <u>1,400,471</u>
Pass Through State of Louisiana Department of Health and Hospitals Rural Health Program Grant	93.912	647120	<u>75,000</u>
Minority Health Grant	93.XXX	N/A	<u>20,000</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>1,495,471</u>
<u>U. S. Department of Agriculture</u>			
Pass Through State of Louisiana			
Department of Health and Hospitals Women, Infant & Children Grant (WIC)	10.557	611037	<u>72,869</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ <u>1,568,340</u>

DAVID RAINES COMMUNITY HEALTH CENTER, INC.
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2007

BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the schedule) has been generally prepared on the accrual basis of accounting. The purpose of the schedule is to present a summary of those activities represented by David Raines Community Health Center, Inc. for the year ended June 30, 2007, which have been financed by the U.S. Government (federal awards). For the purpose of the schedule, federal awards include all federal assistance and procurement relationships entered into directly between David Raines Community Health Center, Inc. and the federal government and sub-awards from non-federal organizations made under federally sponsored agreements. Because the schedule presents only a selected portion of the activities of David Raines Community Health Center, Inc., it is not intended to and does not present either the financial position or the changes in net assets of David Raines Community Health Center, Inc.

SUPPLEMENTARY INFORMATION

SCHEDULE A

DAVID RAINES COMMUNITY HEALTH CENTER, INC.
Combining Schedule of Support and Revenues
For the Year Ended June 30, 2007

	<u>HHS Section 330 Funds</u>	<u>WIC Program</u>	<u>Operation USA Grant</u>	<u>State of LA Rural Health Grant</u>	<u>State of LA Minority Health Grant</u>	<u>Total</u>
SUPPORT AND REVENUES:						
Support:						
Grants and contracts	<u>\$1,400,471</u>	<u>72,869</u>	<u>50,000</u>	<u>75,000</u>	<u>20,000</u>	<u>\$ 1,618,340</u>
Total Support	<u>1,400,471</u>	<u>72,869</u>	<u>50,000</u>	<u>75,000</u>	<u>20,000</u>	<u>1,618,340</u>
Revenue:						
Health care services, net of charity, bad debts and adjustments of \$1,538,522	2,213,762	-	-	-	-	2,213,762
Contributions	250,000	-	-	-	-	250,000
Interest income	16,018	-	-	-	-	16,018
Other income	9,039	-	-	-	-	9,039
In-kind revenues	<u>107,177</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>107,177</u>
TOTAL SUPPORT AND REVENUES	<u>\$3,996,467</u>	<u>72,869</u>	<u>50,000</u>	<u>75,000</u>	<u>20,000</u>	<u>\$ 4,214,336</u>



**BANKS, FINLEY,
WHITE & CO.**

CERTIFIED PUBLIC ACCOUNTANTS

**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENT PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors of
David Raines Community Health Center, Inc.
Shreveport, Louisiana

We have audited the financial statements of David Raines Community Health Center, Inc., (a non-profit organization) as of and for the year ended June 30, 2007, and have issued our report thereon dated September 28, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered David Raines Community Health Center, Inc.'s, internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of David Raines Community Health Center, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the organization's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether David Raines Community Health Center, Inc.'s, financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of David Raines Community Health Center, Inc. in a separate letter dated September 28, 2007.

This report is intended solely for the information and use of management, the Board of Directors, others within the entity and federal awarding agencies and pass-through entities, and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties.

Bank, Fortey, White & Co.
September 28, 2007



**BANKS, FINLEY,
WHITE & CO.**

CERTIFIED PUBLIC ACCOUNTANTS

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Directors of
David Raines Community Health Center, Inc.
Shreveport, Louisiana

Compliance

We have audited the compliance of David Raines Community Health Center, Inc., (a non-profit organization) with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. David Raines Community Health Center, Inc.'s, major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of David Raines Community Health Center, Inc.'s management. Our responsibility is to express an opinion on David Raines Community Health Center, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and *OMB Circular A-133* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about David Raines Community Health Center, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the organization's compliance with those requirements.

In our opinion, David Raines Community Health Center, Inc., complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of David Raines Community Health Center, Inc., is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered David Raines Community Health Center, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of David Raines Community Health Center, Inc.'s internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information of management, the Board of Directors, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Bank, Finley, White & Co.

September 28, 2007

DAVID RAINES COMMUNITY HEALTH CENTER, INC.
Auditee's Summary Schedule of Prior Audit Findings
Year Ended June 30, 2007

There were no prior year findings.

DAVID RAINES COMMUNITY HEALTH CENTER, INC.
Schedule of Findings and Questioned Costs
Year Ended June 30, 2007

Section 1: Summary of Auditor's Results

- | | | |
|----|----------------------------------------------------------------------------------------|-------------|
| 1. | Type of auditor's report issued on the basic financial statements. | Unqualified |
| 2. | Material noncompliance relating to the basic financial statements. | None |
| 3. | Internal control over financial reporting: | |
| | a. Material weaknesses identified? | None |
| | b. Reportable conditions identified that are not considered to be material weaknesses? | None |

Federal Awards:

- | | | |
|----|------------------------------------------------------------------------------------------|-------------|
| 4. | Type of auditor's report issued on compliance for major federal programs | Unqualified |
| 5. | Internal control over major programs: | |
| | a. Material weaknesses identified? | None |
| | b. Reportable conditions identified that are not considered to be material weaknesses? | None |
| 6. | Any audit findings reported as required by Section __.510(a) of Circular A-133? | None |
| 7. | Federal programs identified as major programs: | |
| | a. U. S. Department of Health and Human Services
Health Center Cluster, CFDA # 93.224 | |
| 8. | The dollar threshold used to distinguish between type A and Type B programs: | \$300,000 |
| 9. | Auditee did qualify as a low-risk auditee. | |

Section 2 - Finding Financial Statements Audit

NONE

Section 3 - Findings and Questioned Costs - Major Federal Award Program Audit

NONE

**DAVID RAINES COMMUNITY
HEALTH CENTER, INC.**

MANAGEMENT LETTER

FOR THE YEAR ENDED JUNE 30, 2007

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date _____



**BANKS, FINLEY,
WHITE & CO.**
CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors of
David Raines Community Health Center, Inc.
Shreveport, Louisiana

In planning and performing our audit of the financial statements of David Raines Community Health Center, Inc., for the year ended June 30, 2007, we considered the Organization's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. This letter does not affect our report dated September 28, 2007 on the financial statements of David Raines Community Health Center, Inc.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various Organization personnel, and we will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized as follows:

Allowance for Doubtful Accounts

Condition

The Organization does not have a specific policy for adjusting the allowance for doubtful accounts during the year.

Recommendation

The Organization should review the adequacy of the allowance during the year and appropriately adjust the allowance. We believe that consideration should be given to evaluating the allowances required on all large patient receivable accounts and establishing procedures to periodically write-off those amounts that are deemed to be uncollectible. This will provide the agency with accurate doubtful account allowances that match bad debt expense with patient revenue.

This report is intended solely for the information and use of the Board of Directors, management, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Banks, Finley, White & Co.

September 28, 2007